



The Paycheck Protection Program Forgiveness Process



Today's Objectives

- 1 | Review the Forgiveness Process & Documentation
- 2 | Determine the Form to Use
- 3 | Walk Through Each Form

The Forgiveness Process

Why is the Forgiveness Process Important?

Converts loan to a “grant”

- Forgiveness “removes” the debt so you keep the funds
- Whatever remains will be debt
- New rules changes make it easier to get to 100% forgiveness

Only specific expenses allowed

- Payroll and if you normally deduct them rent, utilities, and mortgage interest
- At least 60% of forgiveness needs to be on payroll
- W-2 employee re-hiring is important
- Need to have records to show the expenses

Forgiveness Process Overview

START- Day you get the money in your account or following pay period start

Forgiveness ends- balance is a loan at 1% interest

8 to 24 weeks of payroll and up to 40% in rent, utilities, and mortgage interest

Forgiveness application through your bank - SBA opens on August 10

Applying for Forgiveness

Step 1: Gather your records

Step 2: Select the form to use (3508 or 3508 EZ)

Step 3: Fill out the form

The bank and then the SBA will review and make a determination

Step 1: Gather Your Records

Gather Your Records

- Before you fill out the form, have your records at hand
- Aim for 115% or more of your PPP in documented costs
- You will need some for upload and others for your files.

Allowable Expenses

Payroll & Benefits

- Wages and Salary (for you or w-2 employees)
- STATE Payroll taxes
- Paid Time Off
- Health Care
- Retirement

Non-payroll (if you already deduct)

- Rent
- Utilities
- Mortgage interest
- Max 40% of total

Should be similar to same time period in 2019

NOT allowable Expenses

Examples

- 1099 Contractors or Cash-only employees
- Mortgage principal
- Credit card debt
- Supplies (including cleaning and PPE)
- Rent, utilities, and mortgage if you don't normally deduct it

Records

Owner/self-employed

- Bank Statements
- Cancelled checks(can be you paying yourself)

W-2 Employees

- Bank Statements
- Third party payroll reports
- Payroll tax filings (IRS form 941 and state forms)

Benefits

- Payment receipts
- Cancelled checks
- Account statements

Records

Rent/Lease

- Copy of lease
- Receipts or cancelled checks

Utility Payments

- Invoices for payment
- Receipts or cancelled checks

Mortgage Interest

- Lender amortization schedule
- Receipts or cancelled checks

Records - Internal

**For Your Files
Only - Not for
Application**

- Certification that salaries were not reduced by more than 25%- showing previous and current pay
- Employee job offers and refusals (in writing)
- Certification that employee levels and hours were maintained through the period
- All PPP application documents
- 2019 Taxes

**Step 2: Select the form
to use (3508 or 3508 EZ)**

Two Forms



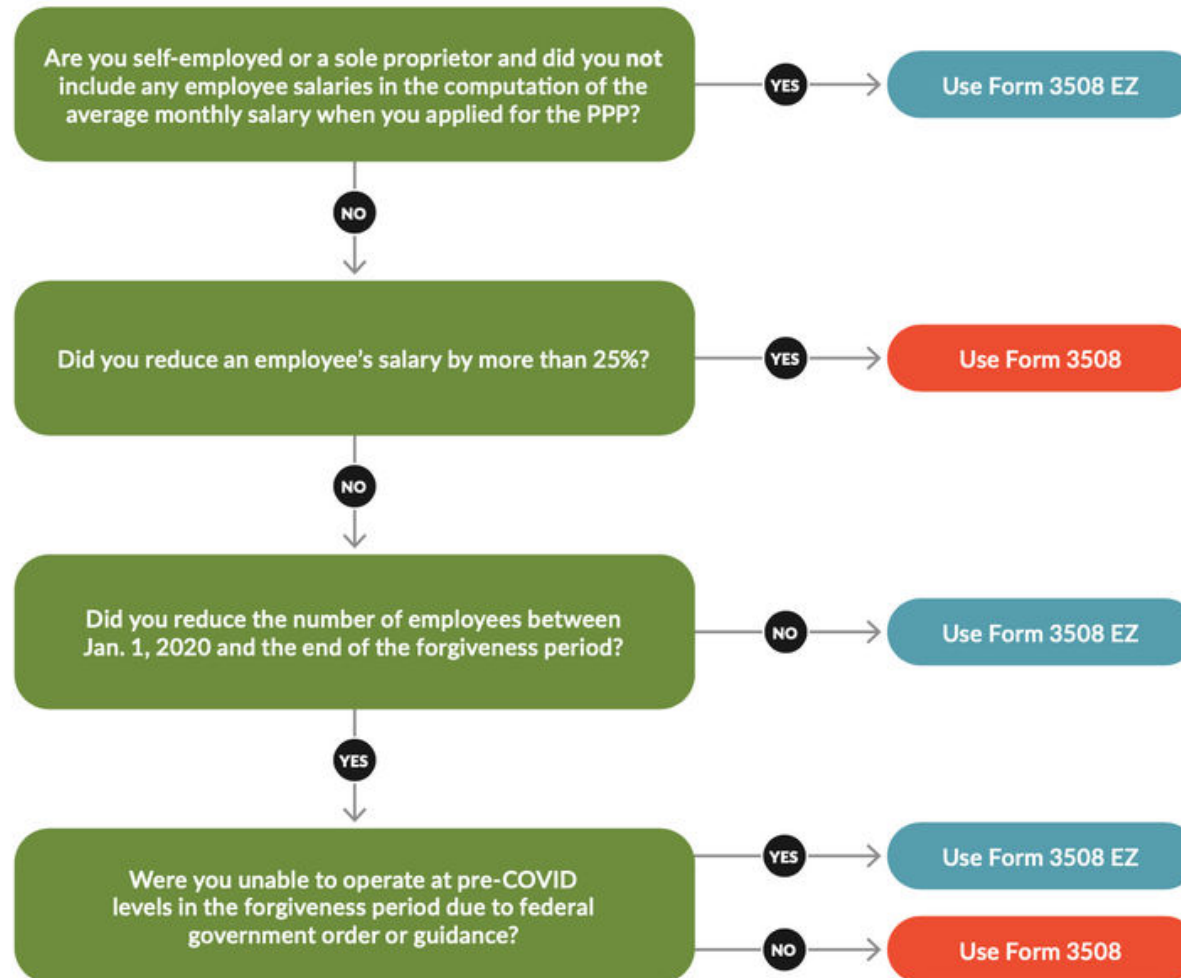
3508 EZ - short and
simple



3508- more
complicated and
involved

If at all possible, use the EZ

Which form should you use?



Form 3508 EZ

Filling out the Form



**Handbook
explains how to fill
out the
background
information**



**Payroll is Owner
Compensation +
all W-2 employees
+ state
employment taxes**



**Rent, utilities and
mortgage interest
are using the same
method you use
on your taxes
(capped at 40% of
total)**



**Forgiveness is
never more than
your loan amount**

Owner Compensation

For an owner/operator who is not a W-2 employee

- 1 **Take your 2019 net profit - Schedule C Line 31**
- 2 **Divide it by 12 (to get an average amount) and multiply it by 2.5 (for two and a half months).**
- 3 **Capped at a maximum of \$15,385 for 8-weeks and \$20,833 for a 24-week period.**

Example 1

Samantha Murphy is a home-based care provider in Omaha, NE. Samantha is the only employee, but she also uses a contractor, Gail Jones. Her net profit was \$38,000 in 2019 per her Schedule C, Line 31. Her PPP loan was for 2.5 times her monthly average pay in 2019. Her pay of \$34,000 meant a monthly average of \$3,166 which when multiplied by 2.5 was \$7,915. She could not include Gail, since she is a contractor and not a W-2 employee. Samantha chose the 24-week forgiveness period when she received her loan on June 2, 2020. She spent all the funds within 10 weeks, so on August 11, 2020 she applied for forgiveness.



**Paycheck Protection Program
PPP Loan Forgiveness Application Form 3508EZ**

OMB Control No. 3245-0407

Expiration date: 10/31/2020

Business Legal Name ("Borrower")	DBA or Tradename, if applicable	
Samantha Murphy		
Business Address	Business TIN (EIN, SSN)	Business Phone
646 North Street	000-00-0000	555) 555. 5555
Omaha, NE	Primary Contact	E-mail Address
	Samantha Murphy	smurphy81@yahoo.com

SBA PPP Loan Number: 853674

Lender PPP Loan Number: 24536

PPP Loan Amount: \$7,915

PPP Loan Disbursement Date: June 2, 2020

Employees at Time of Loan Application: 1

Employees at Time of Forgiveness Application: 1

EIDL Advance Amount: \$0

EIDL Application Number: N/A

Payroll Schedule: The frequency with which payroll is paid to employees is:

☐ **Weekly** ☐ **Biweekly** (every other week) ☐ **Twice a month** ☐ **Monthly** ☐ **Other** _____

Covered Period: June 2, 2020 to November 16, 2020

Alternative Payroll Covered Period, if applicable: _____ to _____

If Borrower (together with affiliates, if applicable) received PPP loans in excess of \$2 million, check here: ☐

Forgiveness Amount Calculation:

If Borrower (together with affiliates, if applicable) received PPP loans in excess of \$2 million, check here: ☐

Forgiveness Amount Calculation:

Payroll and Nonpayroll Costs

Line 1. Payroll Costs: \$7,915

Line 2. Business Mortgage Interest Payments: \$0

Line 3. Business Rent or Lease Payments: \$350

Line 4. Business Utility Payments: \$210

Potential Forgiveness Amounts

Line 5. Add the amounts on lines 1, 2, 3, and 4: \$8475

Line 6. PPP Loan Amount: \$7,915

Line 7. Payroll Cost 60% Requirement (divide Line 1 by 0.60): \$13,192

Forgiveness Amount

Line 8. Forgiveness Amount (enter the smallest of Lines 5, 6, and 7): \$7,915

Form 3508

Example 2

Rose's Home Care is a home-based child care provider in Omaha, NE. Rose Smith owns the business and before the pandemic had one full-time W-2 employee. Based on her payroll in 2019, she received a loan of \$11,000 on June 2, 2020. Since she had just started a bi-weekly pay period she opted to start her PPP on the next period which began on June 15, 2020.

Rose was able to have her one employee, Laura, come back full-time. However, due to the reduced number of children they could have on site, increased costs of cleaning, and PPE, she had to reduce Laura's payroll by 30% from \$10 to \$7. Laura made \$6,720 and had \$2,880 less in wages (which we need to record since it was more than a 25% reduction).

Filling out the Form

Work Backwards

**Start on Page 4
Table 1**

**Schedule A on
Page 3**

**Determine Safe
Harbor**

**Go to Page 1 to
Finish**

Table 1: List employees who:

- Were employed by the Borrower at any point during the Covered Period or the Alternative Payroll Covered Period whose principal place of residence is in the United States; and
- Received compensation from the Borrower at an annualized rate of less than or equal to \$100,000 for all pay periods in 2019 or were not employed by the Borrower at any point in 2019.

Employee's Name	Employee Identifier	Cash Compensation	Average FTE	Salary / Hourly Wage Reduction
Laura White	2255	\$6,720	1	\$2,880
FTE Reduction Exceptions:				
Totals:		Box 1 \$6,720	Box 2 1	Box 3 \$2,880

Table 2: List employees who:

- Were employed by the Borrower at any point during the Covered Period or the Alternative Payroll Covered Period whose principal place of residence is in the United States; and
- Received compensation from the Borrower at an annualized rate of more than \$100,000 for any pay period in 2019.

Employee's Name	Employee Identifier	Cash Compensation	Average FTE



Paycheck Protection Program
Loan Forgiveness Application Revised June 16, 2020

OMB Control Number 3245-0407
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PPP Schedule A

PPP Schedule A Worksheet, Table 1 Totals

Line 1. Enter Cash Compensation (Box 1) from PPP Schedule A Worksheet, Table 1: \$6,720

Line 2. Enter Average FTE (Box 2) from PPP Schedule A Worksheet, Table 1: 1

Line 3. Enter Salary/Hourly Wage Reduction (Box 3) from PPP Schedule A Worksheet, Table 1:
If the average annual salary or hourly wage for each employee listed on the PPP
Schedule A Worksheet, Table 1 during the Covered Period or the Alternative Payroll
Covered Period was at least 75% of such employee's average annual salary or hourly
wage between January 1, 2020 and March 31, 2020, check here ☐ and enter 0 on line 3. 2,880

PPP Schedule A Worksheet, Table 2 Totals

Line 4. Enter Cash Compensation (Box 4) from PPP Schedule A Worksheet, Table 2: \$0

Line 5. Enter Average FTE (Box 5) from PPP Schedule A Worksheet, Table 2: \$0

Non-Cash Compensation Payroll Costs During the Covered Period or the Alternative Payroll Covered Period

Line 6. Total amount paid or incurred by Borrower for employer contributions for employee health insurance: \$0

Line 7. Total amount paid or incurred by Borrower for employer contributions to employee retirement plans: \$0

Line 8. Total amount paid or incurred by Borrower for employer state and local taxes assessed on employee compensation: \$341

Compensation to Owners

Line 9. Total amount paid to owner-employees/self-employed individual/general partners: \$6,668
This amount may not be included in PPP Schedule A Worksheet, Table 1 or 2. If there is
more than one individual included, attach a separate table that lists the names of and
payments to each.

Total Payroll Costs

Line 10. Payroll Costs (add lines 1, 4, 6, 7, 8, and 9): \$13,729



**Paycheck Protection Program
Loan Forgiveness Application Revised June 16, 2020**

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PPP Loan Forgiveness Calculation Form

Business Legal Name ("Borrower")		DBA or Tradename, if applicable	
Rose's Home Care		N/A	
Business Address		Business TIN (EIN, SSN)	Business Phone
123 First Street			(555 555. 5555
Omaha, NE		Primary Contact	E-mail Address
		Rose Smith	Rose_S_HC@aol.com

SBA PPP Loan Number: 8556124 **Lender PPP Loan Number:** 223214

PPP Loan Amount: \$11,000 **PPP Loan Disbursement Date:** June 2, 2020

Employees at Time of Loan Application: 1 **Employees at Time of Forgiveness Application:** 1

EIDL Advance Amount: \$0 **EIDL Application Number:** N/A

Payroll Schedule: The frequency with which payroll is paid to employees is:

☐ **Weekly** ☐ **Biweekly** (every other week) ☐ **Twice a month** ☐ **Monthly** ☒ **Other** _____

Covered Period: _____ to _____

Alternative Payroll Covered Period, if applicable: June 15, 2020 to November 29, 2020

If Borrower (together with affiliates, if applicable) received PPP loans in excess of \$2 million, check here: ☐

Line 1. Payroll Costs (enter the amount from PPP Schedule A, line 10):	\$13,729
Line 2. Business Mortgage Interest Payments:	\$0
Line 3. Business Rent or Lease Payments:	\$1,435
Line 4. Business Utility Payments:	\$554
<u>Adjustments for Full-Time Equivalency (FTE) and Salary/Hourly Wage Reductions</u>	
Line 5. Total Salary/Hourly Wage Reduction (enter the amount from PPP Schedule A, line 3):	\$2,880
Line 6. Add the amounts on lines 1, 2, 3, and 4, then subtract the amount entered in line 5:	\$12,838
Line 7. FTE Reduction Quotient (enter the number from PPP Schedule A, line 13):	1
<u>Potential Forgiveness Amounts</u>	
Line 8. Modified Total (multiply line 6 by line 7):	\$12,838
Line 9. PPP Loan Amount:	\$11,000
Line 10. Payroll Cost 60% Requirement (divide line 1 by 0.60):	\$21,397
<u>Forgiveness Amount</u>	
Line 11. Forgiveness Amount (enter the smallest of lines 8, 9, and 10):	\$11,000

Final Thoughts

Know...



Need help:

PPP@civstrat.com

<https://homegrownchildcare.org/ppp-resources/>